HYDRO-ELECTRIC INQUIRY COMMISSION

REPORT

ON

SANDWICH, WINDSOR AND AMERSTBURG RAILWAY

AND

WINDSOR AND TECUMSEH ELECTRIC RAILWAY

W. D. GREGORY, CHAIRMAN
M. J. HANEY
LLOYD HARRIS
J. ALLAN ROSS
R. A. ROSS
COMMISSIONERS

JOSEPH H. W. BOWER
SECRETARY

HYDRO-ELECTRIC INQUIRY COMMISSION

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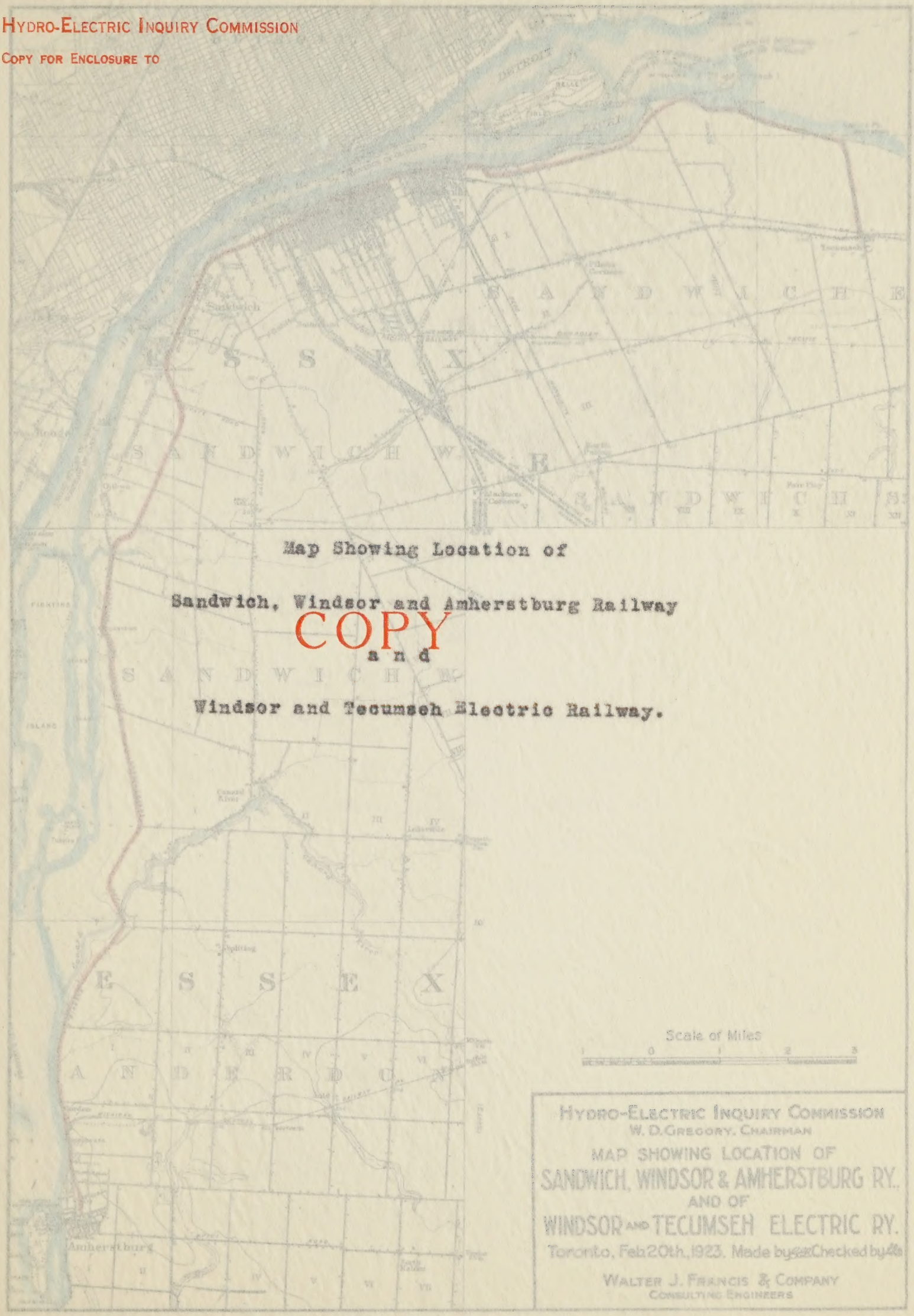
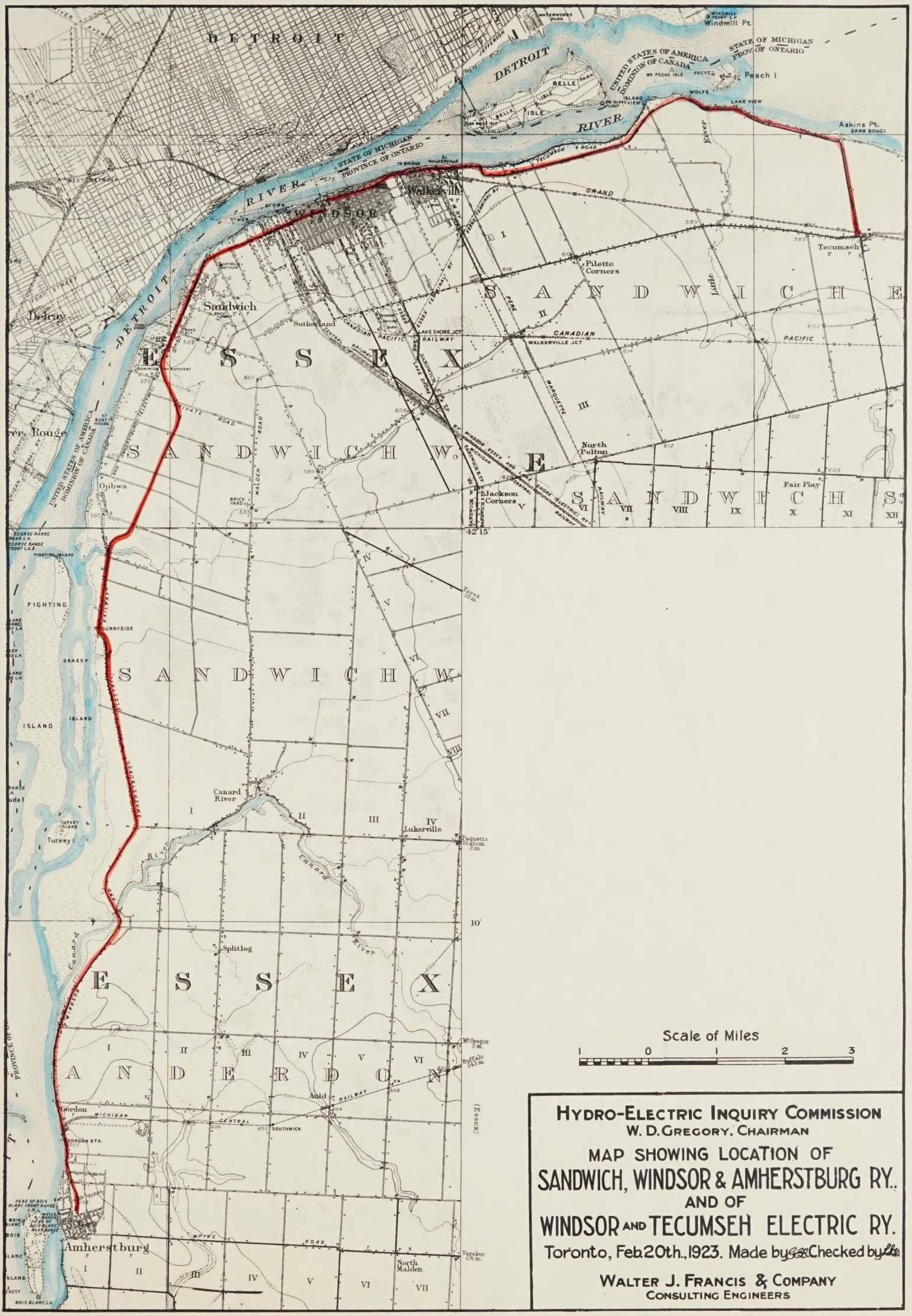


Map Showing Location of

Sandwich, Windsor and Amherstburg Railway

and

Windsor and Tecumseh Electric Railway.



HYDRO-ELECTRIC INQUIRY COMMISSION
W. D. GREGORY, CHAIRMAN

MAP SHOWING LOCATION OF
SANDWICH, WINDSOR & AMHERSTBURG RY.,
AND OF
WINDSOR AND TECUMSEH ELECTRIC RY.

Toronto, Feb. 20th., 1923. Made by Checked by

WALTER J. FRANCIS & COMPANY
CONSULTING ENGINEERS

To His Honour Henry Cockshutt,

Lieutenant-Governor of the Province of Ontario.

May it Please Your Honour:-

In pursuance of the directions contained in the Royal Commission directed to us to enquire into, consider and report upon all matters of expenditures and administration by the Hydro-Electric Power Commission of Ontario, (hereinafter called "the Commission"), we have heard evidence and examined all documents, records, agreements, by-laws and statutes relating to the business and affairs of Sandwich, Windsor and Amherstburg Railway and Windsor and Tecumseh Electric Railway and the acquisition thereof by the Commission on behalf of the Municipal Corporations of the Township of Sandwich East, the Township of Sandwich West, the Town of Ford City, the Town of Walkerville, the Town of Sandwich, the Town of Ojibway, the Town of Amherstburg and the City of Windsor, and respectfully submit this Report thereon. With our Report to you we submit the report made to us by our Accountants, Messrs. Price, Waterhouse & Co., which covers the operations of the Commission in respect of the two railways down to September 30th, 1922. This report contains information on the finances of the undertaking that should be of much value to the municipalities directly interested.

The map prefacing this Report indicates the location of the two lines of railway and the localities served thereby.

INTRODUCTION.

The two lines were nominally owned respectively by two distinct incorporated companies, all the shares of the capital stock of both of which companies were owned by Detroit United Railway.

From 1913 there appears to have been a strong feeling amongst the ratepayers of the municipalities mentioned that these railways, as operated under private ownership, were not giving adequate service and that a change to municipal ownership was expedient and desirable.

When the Hydro-Radial Railway Act became law, in 1914, the Council of the Municipal Corporation of the City of Windsor passed a resolution requesting the Commission to prepare estimates and a report on the construction of an electric railway from Ojibway through Windsor and Walkerville to Belle River. Further resolutions to the same effect were passed in 1915 by the Windsor City Council and the Councils of the other municipalities interested in and served by the two lines of railway before mentioned.

The apparent object the municipalities had first in view was the construction of a line of railway duplicating and in opposition to the existing lines. At the suggestion of the Commission attention was diverted from this object and directed towards the acquisition of the existing lines.

The refusal or neglect of Detroit United Railway, controlling the two railway companies, to provide extensions

of the lines deemed necessary to meet the requirements of the growing municipalities interested, was in addition to what was considered poor service an apparently determining factor in creating a desire and demand for a change in ownership.

In 1917 certain definite extensions to the Sandwich, Windsor and Amherstburg Railway were requested by the municipalities. The Railway Company refused to make these extensions unless ten years were added to the period of its franchise, but offered to compromise and agree that the extended franchise might be terminated by the municipalities at any time upon their giving one year's notice of their desire to so terminate. This was refused by the municipalities.

The Windsor City Council thereupon sent a deputation to the Ontario Government to ascertain the ways and means by which the municipalities could take over these railways on the expiration of existing franchises and operate the system themselves. The deputation was directed to confer with the Commission, which it did, and requested the Commission to submit a report upon the radial railway situation in the Border municipalities. The engineers of the Commission thereupon proceeded to inspect and place values on the existing railways and to prepare an estimate of the cost of the desired extensions. The local manager of the system, however, refused to permit a valuation to be made until the Detroit United Railway had definitely determined whether or not it would sell. There being, therefore, no opportunity to make a complete examination, no report was then submitted

by the Commission.

The municipalities continued to press the Commission to take action towards meeting their desire to remove what they regarded as the incubus of private ownership. In May, 1910, representatives of the nine municipalities interested passed a joint resolution, and subsequently each of the Municipal Councils adopted a separate resolution, requesting the Commission to take over and operate the railways on behalf of the municipalities. At this time the employees of the railways were on strike and demanding increases in wages. The Railway Company took the ground that it could grant no increase of wages unless it was allowed to increase fares, (which were then on the basis of six tickets for twenty-five cents), to a straight five-cent rate. A by-law, authorizing the desired increase in fares, was submitted to the ratepayers and a vigorous campaign against its passage was conducted. Sir Adam Beck took part in this campaign and in his addresses stated that if the increase in fares was approved by the ratepayers the increased return to the Railway Company would be capitalized and a larger price demanded by the Company when negotiating for a sale of the railways to the Commission for the municipalities. The by-law was defeated. At this time the Ontario Railway Board operated the system for a period of about two weeks, during which time the wages of employees were increased and the strike ended. After operation by the Railway Board ceased, opera-

by the Commission.

The municipalities continued to press the Commission to take action towards meeting their desire to remove what they regarded as the incubus of private ownership. In May, 1918, representatives of the three municipalities concerned passed a joint resolution, and subsequently each of the municipal councils adopted a separate resolution, requesting the Commission to move with expedition in carrying the resolution of the municipalities. At that time the employees of the company were on strike and operating industry in Sydney, for letting [illegible] increase of wages amounts to the minimum [illegible] which were then on the basis of six cents per passenger-five cents, to a maximum five-cent rate. A by-law authorizing the desired increase in fares, was submitted to the ratepayers and a vigorous campaign ensued for and against. Mr Adam Moor took part in both meetings and in his addresses stated that if the increase in fares was approved by the ratepayers the increased revenue to the municipal company would be capitalized and a larger price demanded by the Company when negotiating for a sale of the municipal if the possibility for the municipalities. The system was valuable. In this case the Commission [illegible] the ATTORNEY for a period of about two months. During that time the owner of employees were interested and the service ended. After consultation by the Commission [illegible] meeting, which

tion by the Company was resumed.

RAILWAY VIEW OF THE SITUATION.

Mr. J. A. Anderson, former manager of the two railways for Detroit United Railway, when testifying before us at Windsor, gave his view of the situation at that time. He said:

> "There were parts of it (the railway) that required a good deal of renewing and we were only too glad to renew the tracks, if they would allow it. We wanted to double track and they (the municipalities) would not give their consent..... In 1914 the people were clamoring for better service and we were so anxious to relieve conditions that we offered to put a loop around Ferry Avenue, and we started to put it in and we were taken to Court. We finally lost the day and had to tear the tracks up, on the ground that we had not asked the Railway Board for their consent. The Railway Board gave their consent but that would not do. We were held up and embarrassed in that way at the instigation of some parties. The Mayor at that time, Mr. Tyson, and afterwards Mayor Winter, told me they would not give us permission to do anything. I asked them the reason and they told me Sir Adam Beck told them they should not let us do anything. They were simply dogging us out of the business.... I went to our people and I said, 'There is no use in worrying along in this way, get your money out of this road.' They were not anxious to sell, but they thought the matter over and they said, 'We are held up, we are not allowed to do anything, there seems to be a desire to put us out of business; our investment is about $1,300,000.' And they asked me what they should get. And I said, 'Get your money out.' They took my advice and I told Mayor Blake Winter and Mr. England that I thought they could purchase the road.....They were in such a hurry to take the road over that in two or three days they went off to Toronto and then negotiations started."

VALUATION MADE AND PURCHASE RECOMMENDED.

A valuation of the assets and properties of the Railway Companies was made by the engineers of the Commission, the Detroit United Railway giving all desired assistance in this. Negotiations for purchase of the undertakings were conducted for the most part verbally by Sir Adam Beck on behalf of the municipalities with the Vice-President of Detroit United Railway, and extended over a period of about three months and resulted in Detroit United Railway agreeing to accept $2,039,000.00, payable in 4½% forty-year bonds of the Hydro-Electric Power Commission of Ontario, guaranteed by the Province, of the par value of that amount, for all the assets, undertakings and property of every kind and nature belonging to Sandwich, Windsor and Amherstburg Railway and the Windsor and Tecumseh Electric Railway, or to which the said Companies, or either of them was entitled in connection with their or its business. After consultation with and at the urgent request of the municipalities interested, Sir Adam Beck recommended the purchase on the terms mentioned.

BY-LAWS ADOPTED.

By-laws of the nine municipalities interested, authorizing the several municipal corporations to enter into and execute the agreement with the Commission, were submitted to the electors of the municipalities and carried in all

except the Township of Anderson. Upon the passing of the by-laws the agreement referred to was executed by the Commission and the eight municipalities that had ratified it. The agreement is dated January 1st, 1920.

AGREEMENT FOR PURCHASE EXECUTED.

An agreement for the purchase of the property dated 14th January, 1920, between Detroit United Railway as Vendor and the Hydro-Electric Power Commission of Ontario as Purchaser and the two Railway Companies as assenting parties, was settled and executed by all the parties thereto.

ISSUE OF BONDS.

In order to carry out the agreement the Commission issued bonds to the amount of $2,100,000, of which $2,039,000 represented the price payable to the Vendor. The remaining bonds amounting to $61,000 were hypothecated with the Bank of Montreal as security for advances to provide for improvements and betterments of the railway. It is to be noted that at the time of the completion of the purchase Province of Ontario forty-year bonds were being sold to yield approximately 5.6%. This would make the actual cash value of the Commission's 4% bonds, guaranteed by the Province, approximately $1,651,590.00.

RAILWAY PROPERTY ACQUIRED.

The railway property acquired by the Commission consisted of:

Approximately 45 miles of track inclusive of double track, switches, etc.
26 single-truck closed passenger cars
20 double-truck open passenger cars
1 single-truck open " "
10 double-truck closed " "
1 private car
3 single-truck box cars
1 double-truck baggage car equipped with motor
9 single-truck flat cars
3 " " plow and construction cars
2 double-truck plow and construction cars
1 single-truck line car.

The Commission also acquired the following buildings:

In Windsor

Office and Freight Shed
Car House
Paint Shop
Repair Shop, Blacksmith Shop
Carpenter Shop, Boiler Room and Engine Room

In Tecumseh

Waiting Room
Section man's House

In Amherstburg

Waiting Room
Small Freight Sheds.

The following equipment has since been scrapped and the Superintendent of the Railway states that it has little or no salvage value:

21 open passenger cars
14 closed " "
2 box cars
2 flat cars.

The remaining cars taken over by the Commission have been rebuilt or repaired and are stated to be in good operating condition.

The Commission up to October 1st, 1922, purchased the following rolling stock:

6 second-hand double-truck steel closed cars
6 wooden trailers
17 one-man single-truck safety cars
4 trackless trolley busses
4 double-truck one-man safety cars
1 double-truck baggage car with motor equipment and trail car.

Details covering improvements made to the property by the Commission are shown on pages 14, 15, 16 and 17 of the report of Messrs. Price, Waterhouse & Co., already referred to.

APPRAISAL BY ENGINEERS OF COMMISSION.

The entire property taken over by the Commission was appraised by its engineers at $2,039,000, made up as follows:

Property	Present Value
Ways and Structures	$1,229,829.01
Equipment	206,968.79
Spare Equipment	10,290.65
	$1,447,088.45
Power and Light System in the City of Windsor	190,000.00
	$1,637,088.45
Intangibles	401,911.55
Bonds given for Property	$2,039,000.00

COMMISSION NO STATUTORY AUTHORITY TO PURCHASE.

At the time when these agreements were made and before the Hydro-Electric Railway Act of 1920 was passed, there was no statutory authority for the acquisition by the Commission of these lines of railway.

Under the then existing law the Commission had the right to construct and equip, but not the right to purchase an existing railway or to acquire the stock of a railway company, and the action of the Commission in acquiring the railways referred to and their stock was without legal warrant or authority. In his report to the Government, Mr. G. T. Clarkson, the Government Auditor, questioned the legality of the action which the Commission had taken. At the Session of the Legislature in 1920, an Act was passed giving the Commission the right in the future to purchase railways and to acquire the stock of a railway company, and it confirmed at the same time the agreement between the Commission and Detroit United Railway.

The entering into agreements and the assuming of obligations without warrant or authority of law, but in the expectation that confirming legislation will be enacted, is a practice that has been frequently followed by the Commission. It is a bad practice and should not be permitted. The action of the Legislature in continually validating such illegal acts of the Commission has tended to encourage the practice.

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The entering into agreements and the assuming of obligations without warrant or authority of law, but in the expectation that confirming legislation will be obtained, is a practice that has been frequently followed by the Commission. It is a bad practice and should not be permitted. The action of the Legislature in constructively validating such illegal acts of the Commission has tended to encourage the practice.

OUTSTANDING BONDS.

At the time of completion of the sale and purchase there was upon the properties and assets of each of the companies a mortgage to secure bonds issued by the respective companies. The total of the bonds outstanding was $769,000. Under the terms of the purchase agreement these bonds were to be redeemed by the Vendor and, pending their retirement, bonds of the Commission to the amount of $789,000 were retained out of the $2,039,000 bonds to be given for the property and deposited with the National Trust Company to be held by it in escrow and to be delivered to the Vendor as and when the outstanding bonds of the companies were retired.

PURCHASE COMPLETED.

The purchase was completed on April 1st, 1920, and operations from that date were conducted by members and officers of the Commission who constituted the new Boards of Directors of the two companies.

Debentures to a total amount of $2,100,000.00, apportioned as to their respective liabilities, were issued by the municipalities interested and deposited with the Commission. These municipal debentures corresponded in terms with the bonds issued by the Commission. As before

noted, the by-law was defeated in the Township of Anderdon. The proportion of the total of $2,100,000.00, namely, $143,536.00, which had been apportioned to the Township of Anderdon, was reapportioned amongst the other eight municipalities.

BONDS ISSUED BY MUNICIPALITIES.

The original debentures issued by the respective municipalities and deposited with the Commission were as follows:

Township of Sandwich East	$260,685
Township of Sandwich West	251,570
Windsor	745,132
Ford City	64,582
Walkerville	200,940
Sandwich	262,173
Amherstburg	126,567
Ojibway	44,515
	$1,956,464

Those issued to make up the share of the Township of Anderdon were:

Township of Sandwich East	$ 19,125
Township of Sandwich West	18,456
Windsor	54,667
Ford City	4,738
Walkerville	14,742
Sandwich	19,234
Amherstburg	9,308
Ojibway	3,266
	$143,536,

making a total of $2,100,000.

ELECTRIC LIGHTING SYSTEM.

Included in the assets of the railway companies was a local electric lighting system in the City of Windsor. As

bases, the Co-Op was selected in the township of Jacksonville.

The properties of the value of $4,[illegible] [illegible] $445,[illegible].00, which had been appropriated to the township of Jacksonville, was transportation account the other city's municipalities.

BONDS ISSUED BY MUNICIPALITIES.

The original securities issued by the respective municipalities and deposited with the Commission were as follows:

Township of Jacksonville [illegible]	$[illegible]
Township of [illegible] Year	[illegible]
Windsor	[illegible]
Fort City	[illegible]
Jacksonville	[illegible]
Jacksonville	[illegible]
Jacksonville	[illegible]
Jacksonville	[illegible]
Gilmore	[illegible]
	$[illegible]

Those issued to make up the share of the township of Jacksonville were:

Township of Jacksonville	$ [illegible]
Township of Jacksonville Year	[illegible]
Windsor	[illegible]
Fort City	[illegible]
Jacksonville	[illegible]
Gaston	[illegible]
Jacksonville	[illegible]
Gilmore	[illegible]
	$[illegible]

Making a total of $[illegible].00.

CONTRACT WITH ELECTRIC WORKS.

Included in the assets of the railway company was a long electric lighting system in the city of Windsor. It

this lighting system was not of general benefit to the railway, and the City of Windsor desiring to acquire the system, it was sold to the City for $190,000.00 of 4½% bonds of the City, maturing April 1st, 1960.

REHABILITATION.

A survey of improvements and extensions needed to meet the demands of the community was undertaken by the Commission and rehabilitation of the railway system was commenced shortly after April 1st, 1920. During the first seven months, which ended October 31st, 1920, $227,612.30 was spent on improvements. Of this amount $200,000.00 was borrowed from the Bank of Montreal.

A complete survey having in the meantime been made to ascertain the extent and cost of necessary improvements, in June, 1921, the Commission sent a report thereon to the municipalities interested. Improvements at a total estimated cost of $893,590.00 were recommended, this cost to be met by the issue and sale of bonds of the Commission, guaranteed by the Province, to the amount of $900,000.00. The municipalities on their part were to issue their debentures for the same amount, apportioned amongst them on the same basis as had been the $2,100,000.00 issue. The necessary by-laws to carry out the recommendation of the Commission and an Order-in-Council authorizing the guarantee by the Province of the Commission's bonds of $900,000.00 were passed. Prior to

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A complete survey having in the meantime been made to ascertain the extent and cost of necessary improvements, in June, 1921, the Commission [illegible] a [illegible] [illegible] modernizing improvements. [illegible] cost of $[illegible] were recommended, [illegible] by the issue and sale of bonds of the Dominion, guaranteed by the Province, to the amount of $[illegible]. The municipalities [illegible] part were to issue their debentures for the [illegible] expenditures [illegible] on the same basis as had been for [illegible]. The [illegible] [illegible] and the [illegible] [illegible] [illegible] municipal authorities by guarantee by the Province of the municipalities' share [illegible].

the Provincial guarantee being given, the Premier of the Province requested and obtained from Messrs. Clarkson, Gordon & Dilworth a report on the system and the contemplated expenditure.

The issue of $900,000.00 of 5% forty-year bonds was made July 1st, 1921, and debentures of the same date and in similar terms to the Commission's bonds were deposited with the Commission. The bonds issued by each of the municipalities were as follows:

Township of Sandwich West	$65,000
Township of Sandwich East	24,800
Tecumseh	4,400
Riverside	10,800
Windsor	457,500
Ford City	22,000
Walkerville	141,500
Sandwich	135,000
Ojibway	8,000
Amherstburg	35,000
	$ 900,000.

Owing to the high interest rates demanded at the time of issue, the Commission's bonds were not sold for some time, but a further loan of $400,000.00 was obtained from the Bank of Montreal on the pledge of $440,000.00 par value of the bonds. Subsequently, owing to the reduction of interest rates, the whole of the $900,000.00 issue was sold at a premium and realized $874,025.00. The Bank loan of $400,000.00 was paid off out of these proceeds.

EXPENDITURE ON REHABILITATION.

With the sum of $974,025.00 obtained from the sale of the Commission's bonds, and the $200,00 .00 previously borrowed, cash to the amount of $1,174,025.00 had been made available to the railway for the purposes of rehabilitation. The expenditures upon rehabilitation to 31st October, 1922, were as follows:

Seven months ending October 31st, 1920	$ 227,612.30
Year ending October 31st, 1921	237,340.88
Year ending October 31st, 1922	519,285.21
	$1,034,238.39

This amount does not include the sum of $55,051.19 which had been invested in construction materials for the system as at October 31st, 1922, and which had not been used at that date.

Mr. Gaby stated in his evidence before us that there was practically a 90 per cent. rehabilitation of the road. The expenditure of $1,034,238.39 approximately equals 65 per cent. of the cash purchase price. The expenditure on rehabilitation exceeded the estimated cost of same by $140,658.39.

RESULTS OF OPERATION.

The operation of the railways for the period from April 1st, 1920, to October 31st, 1922, including provision for renewals throughout, resulted in a net loss of $84,607.37. A summary of the operations by periods is as follows:

	Profit	Loss
Seven months ending October 31, 1920	$22,078.29	
Year ending October 31, 1921		$55,636.37
Year ending October 31, 1922		50,949.29
	$22,078.29	$106,585.66
		22,078.29
Net Loss		$ 84,507.37

The net loss for the period from April 1st, 1920, to October 31, 1921, amounted to $33,558.08. As provided in Sections 9 and 10 of the Hydro-Electric Railway Act, 1914, this operating loss was charged back on the books of the Commission to the municipalities interested in proportion to the debentures deposited by them with the Commission. The amount charged against each one was as follows:

City of Windsor		$12,780.81
Town of Walkerville		3,446.60
Town of Sandwich		4,496.90
Town of Amherstburg		2,176.08
Town of Ford City		1,107.74
Town of Ojibway		763.54
Town of Riverside	$1,207.28	
Town of Tecumseh	491.85	
Township of Sandwich East	2,772.25	4,471.38
Township of Sandwich West		4,315.03
		$33,558.08

The Hydro-Electric Railway Act provides that the Commission shall annually require the respective municipalities to pay the deficit, if any, and further provides that in the event of the failure of the municipalities to pay, the Commission "shall thereupon sell or otherwise dispose of so much of the debentures....as shall be necessary to supply such deficiency." But the Commission did not either receive the payment from the municipalities or sell the bonds and the deficit of $33,558.08 continued as an outstanding liability.

The net loss for the period from April 1st, 1931, to October 31, 1931, amounted to $22,222.00. As provided in Sections 9 and 10 of the Hydro-Electric Railway Act, 1916, this operating loss was charged back on the books of the Commission to the municipalities interested in proportion to the debentures deposited by them with the Commission.

The Hydro-Electric Railway Act provides that the municipalities shall annually provide the requisite amount to pay the deficit, if any, and further provides that in the event of the failure of the municipalities to pay, the Commission "shall thereupon sell or otherwise dispose of so much of the debentures....as shall be necessary to satisfy such deficiency." But the Commission did not either recover the payment from the municipalities or sell the bonds and the deficit of $22,222.00 continued as an outstanding liability.

WIPING OUT OF RESERVES FOR RENEWALS.

The Commission held as of October 31, 1921, $47,202.88 which stood to the credit of reserve for renewals. There was no obligation under the statute for the Commission to establish a renewal reserve fund and its course in establishing this fund was voluntary on its part. On December 13, 1922, more than a year after the renewal reserve had been accumulated, the following entry was made in the minutes of the Commission:

> "The Chief Engineer submitted a report on the rehabilitation of the Sandwich, Windsor and Amherstburg Railway and the Guelph Radial Railway, together with his recommendation as to the advisability of charging depreciation during the period of reconstruction and rehabilitation on these roads, and after consideration the Board approved of the deferring of the depreciation charges until rehabilitation had been completed, which was estimated as of November 1, 1922. It was further instructed that no depreciation charges be set aside during the periods of rehabilitation of any of the roads which may hereafter be acquired by the Commission."

This acti n being taken, the accountant prepared an entry to adjust the books. From the sum of $47,202.88 standing to the credit of the Renewal Reserve, the sum of $33,558.08 was taken and applied in payment of the balances due by the municipalities before mentioned, while the balance of the renewal reserve, amounting to $13,644.80, was transferred to surplus, so that the deficit for the period ending October 31, 1921, was wiped out and a surplus of $13,644.80 took its place.

RISING OUT OF BOUNDARY CAN CONTRACTS.

The commission felt it its duty to find, if possible, where error lay in the county in question. There was no obligation under the statutes for the commission to establish a removal country that was going in existence, that fund was voluntary on its part. On December 21, 1921, some time after a meeting where the commission had discussed the matter, the following letter was written by the chairman of the commission:

> "The total employer expenditure amounts to a charge on the rationalization of the industry. Economy and enterprise policies and the total inability to pay, in certain economic conditions is the difficulty of obtaining equipment to contract the period of transportation and rationalization policies would, after considering the short duration of the operation of the separate units of the industry, which are undertaken by the commission."

This cost is being taken, the commercial property on entry to assist the value. From the [illegible] in the result of the general business. The cost of [illegible] the time for equipment in payment of the difference by the rationalization entire [illegible] the balance of the general income, amounting to [illegible], was transferred to surplus, as was the deficit for the [illegible] 31, 1921. was [illegible] and a surplus of $1,000,00 took its place.

Mr. Gaby, who recommended the action that was taken by the Commission in respect of the Reserve for Renewals, says:

> "On November 1st, 1922, we practically had a new road for operation. We do not want to charge depreciation during the period of building a new road."

Mr. Gaby's argument is not accepted by our Accountants, Messrs. Price, Waterhouse & Co., who, in referring to the action taken in this matter, say:

> "This policy does not appear to be sound or in keeping with the general practice of the Commission in making renewal provisions even though the agreement covering the operation of the Railway does not obligate the Commission to make renewal provisions."

The following is an extract from the evidence on the subject, given before us by Mr. A. E. Bonthron of the firm of Price, Waterhouse & Co.:

> Q - "Was the setting up of a renewal fund a proper and businesslike thing for the Commission to do?
> A - "Yes, sir.
> Q - "Was it proper for it to wipe out the renewal fund later and apply it to wiping out this deficit?
> A - "Not in my opinion. No, sir."

We fully concur in the opinion expressed by Price, Waterhouse & Co. In order that an electric railway may be kept on a sound operating basis a reserve for renewals should be set up and carried on from year to year. There are probably few public utilities that depreciate more and in which the question of obsolescence of equipment enters more fully, than into electric railway properties. The

average wear and tear on roadbed and equipment is very great, and obsolescence of rolling stock becomes so clear that further argument for maintenance of a renewal reserve seems unnecessary. The expenditures for rehabilitation up to the end of 1921, when the renewal reserve was established, were practically the same as they were for the following year when the renewal fund was wiped out.

The effect of the absolute reversal of policy made by the Commission December 13, 1922, was to relieve the municipalities from immediate payment of operating losses, without lessening their ultimate liability, and at the same time it lessened the security for the Province for its guarantee of the Commission's bonds by the amount which had been charged to and would have been collected from the municipalities for losses on operations.

The non-collection from the municipal corporations of the deficit on operations, and the wiping out of this deficit by applying the reserve fund in payment of it when campaigns were being carried on in other municipalities in favor of proposed Hydro Radial Railways, would not unnaturally lead some to the conclusion that the change was made in order that the fact of there having been a loss on operations might not adversely affect votes upon by-laws about to be taken in other municipalities, and also in order at the same time, to avoid adverse criticism by ratepayers of Windsor and the other interested municipalities.

We are informed by the accountants of the Commission that no reserve for depreciation was set aside in 1922 and that the deficit for the year which ended October 31, 1922, was $5,895.41. If this is paid out of the surplus of $13,644.80 standing on the books of the Commission as a result of the change mentioned, the surplus as of October 31, 1922, will be reduced to $7,749.39.

PROMISES AS TO FARES.

Sir Adam Beck in an address delivered by him at Windsor on November 24th, 1919, stated, as reported in the Border Cities' Star:

> "In a sense we have a very sure thing in acquiring the Sandwich, Windsor and Amherstburg Railway. It is a going concern and we have accurate knowledge of its earning capacity. The Company has been very decent and has given us free access to the books. Consequently for the past two months, from day to day we have known exactly what the revenue of the road has been....The Hydro Commission after investigating the Company tells you that the System can be operated as a revenue producing concern at the old rate of six tickets for a quarter. Further, the Commission tells you that on the old rate, $250,000 can be spent on extending and improving the System without the ratepayers being called upon to pay a single dollar of that in taxes."

When questioned as to this, Sir Adam Beck stated:

> "I think that is all correct, but not anticipating the increased wages that we had to pay of thirty-odd per cent....."

On November 24th, 1919, when Sir Adam Beck gave the above mentioned address, the wages were fifty cents

per hour, an increase from forty cents having been made prior thereto. The only increase in trainmen's wages since that date was one from fifty to fifty-five cents per hour--an increase of ten per cent., not thirty.

The fares charged at the time the system was taken over remained in force until July 1st, 1921, when a straight five-cent fare was put into effect.

Two trackless trolley lines were put in operation, one in May and another in August, 1922, and a transfer charge to these of one cent was made. On November 1st, 1922, this transfer charge was dropped and rates established of six cents drop fare, six tickets for thirty-five cents, and twenty tickets for a dollar. Mr. Gaby states that the larger portion of the tickets sold was at the twenty-for-a-dollar rate. The reserve for unredeemed tickets had as of 31st October, 1921, been reduced from $5,520.02 to $1,000.00 by transferring $4,520.02 to revenue for the fiscal year ending October 31st, 1921.

NO SINKING FUND ESTABLISHED.

Under the terms of the agreement between the Commission and the municipal corporations and in accordance with the provisions of the Hydro-Electric Railway Act, the establishment of a sinking fund for the retirement of the bonds of the Commission guaranteed by the Province is deferred until the expiration of ten years from April 1st, 1920.

TAXES.

The Commission paid to the municipalities in taxes for the first seven months of operation $3,888.33, presumably a proportionate part of $6,666.00 payable by the Railways for the year 1920. For the fiscal year ending October 31, 1921, taxes to the amount of $4,503.02 were paid, and for the fiscal year ending October 31, 1922, $3,471.94, a total for the two years of $7,974.96. On the basis of the 1920 rate of taxation the municipalities would have received $13,332.00 for the two years, or an additional $5,357.04.

The assessments made since the change of ownership have presumably been made on the assumption that Section 12(a) of the Power Commission Act is applicable. This Section provides that land owned and vested in the Commission shall be subject to assessment and taxation for municipal and school purposes at the actual value thereof, according to the average value of the land in the locality, and that buildings, machinery, works, structures, substructures, superstructures, rails, ties, poles and other property, works or improvements owned, used or controlled by the Commission shall continue to be exempt from assessment and taxation.

There is much to be said in favor of the contention that the law in respect of assessment and taxation applicable to privately owned electric railways should apply to publicly

owned railway systems especially where, as in the present case, the road is located in a number of municipalities with largely varying values in each. If this practice were followed municipalities would thereby be enabled to better determine their position as compared with operation under private ownership, and other municipal corporations would have more complete information when considering the expediency of undertaking similar enterprises. The non-collection by the Province in this case of a Corporation Tax deprives the Province of revenue which it is or should be entitled to receive. Whatever may be said for or against the municipal taxation of the railway, there is no sound reason for the Province foregoing its right to tax it.

REPAIRS TO ROADWAYS.

Under the agreement between the City of Windsor and Detroit United Railway the Company was required to pave the roadway between its tracks and for a certain distance on each side. The Commission is free from such an obligation, and in 1922 the City of Windsor paid to the Commission $71,158.08 for paving the street between the car tracks and for one foot on each side.

INSURANCE.

The Commission paid for the following amounts for insurance to October 31st, 1922:

Seven months ending October 31, 1920	$14,495.52
Year ending October 31, 1921	26,482.37
Year ending October 31, 1922	24,564.17
Total	$65,542.06

A certain proportion of these payments was for unexpired insurance at the end of each fiscal year and which on October 31, 1920, was $2,800.24, and on October 31, 1921, $3,411.64. The properties insured and the proximate amount of insurance carried is as follows:

Fire insurance on buildings and office furniture (including plate glass)	$240,000.00
Burglary, Messenger and Office Robbery	20,000.00
Fire Insurance on rolling stock	525,000.00
Fire insurance on car barns, distribution station and river house	180,000.00
Insurance against bodily injury, including death, to public and employees:	
Maximum to one person	5,000.00
Maximum to any number of persons from one accident	10,000.00
Insurance against damage to public property - a maximum of	1,000.00

GENERAL AND MISCELLANEOUS EXPENSES.

In the General and Miscellaneous Expenses charged to the Operating Account, the following appear:

	7 months ending Oct. 31, 1920	Year ending Oct. 31, 1921
Salaries and Expenses of General Officers	$4,657.01	$6,627.62
Salaries and Expenses of General Office Clerks	6,406.30	11,585.12
General Office Supplies and Expenses	1,609.69	1,479.13

VALUATION AND OTHER EXPENSES.

Deferred debits for "Valuation and other Expenses re purchase of Railways" were shown on the Balance Sheets as of October 31, 1920, and October 31, 1921, as $14,184.94 and $13,913.75 respectively. Valuation and other expenses in connection with the purchase of the railway, consisting of engineering, accounting and legal expenses, together with the cost of printing bonds issued by the Commission and debentures issued by the municipalities, amounted to $17,392.19, which is being written off at the rate of 10% per annum.

SERVICE.

Many of the witnesses, testifying before us, complained of the service provided under the present management, the chief cause of complaint being the nonmaintenance of time schedules and consequent inefficiency of service from bunching of cars. On the other hand, it was pointed out that the operation of the system was hampered during the period of rehabilitation. A number, while complaining of the present service, stated that it was better than under

	7 months ending June 30th, 1921.	Year ending June 30th, 1921.
Salaries and expenses of General Office staff	24,847.01	24,986.05
Salaries and expenses of General Office Staff	[illegible]	[illegible]
Depreciation, Office equipment and furniture	1,679.05	1,679.05

VARIOUS AND SUNDRY EXPENSES.

Interest charges for financial and other expenses on purchase of railways were borne on the balance sheets of the vendor Co. ABCD, and therefore not included in statistics and distribution reports. Interest and other expenses in connection with the issuance of the railway debentures, debenture and bond expenses, bankers' fees and the cost of printing bonds issued by the municipalities and debentures issued by the municipalities, amounted to $17,221,19, which is being written off at the rate of $2,000 per annum.

[illegible]

Many of the witnesses, testifying before us, complained of the service provided under the present management, the main cause of complaint being the commutation or line schedule and consequent inefficiency of service from standing of cars. On the other hand, it was pointed out that the operation of the system was hampered during the period of reconstruction. I wonder, while complaining of the present service, should that it was better than under

the former management. The operation of one-man cars and trackless trolleys is viewed with disfavor by many.

Mayor Wilson of Windsor said that the service is satisfactory except at rush hours, and he added:

> "....There is one thing you must realize: This is a growing community and the population is growing very rapidly and therefore maybe six months ago you might have a good service and in another two months a lot of people come in and they might still demand more improvements."

Some other residents of the Border Cities did not take so favorable a view. Former Mayor Tuson of Windsor said that he had

> "....the kindliest feelings for the Hydro but I want to say that in the southeastern part of our City we are ten years behind in transportation matters...."

Alderman Strong of Windsor said that trackless trolleys did not relieve the situation and that

> "In my opinion it takes too long to get what should be taken care of in a few days."

Mayor McKee of Sandwich said:

> "The service in our town is not good....there seem to be plenty of cars but they are not properly distributed; they run in bunches. That is the biggest trouble with the patrons of the cars. The one-man car is not suitable at all for the traffic on that line.....
> "Sandwich people are satisfied with their bargain if they get better service."

Dr. P. H. Gardner, Chairman of the Transportation Committee for Ford City, said:

> "Right now I want it clearly understood that Ford City is absolutely dissatisfied with its

service.....the present service is now in the interest of Windsor, Walkerville and Sandwich because the people will not live in Ford; they will come here (Windsor) to get service."

Mr. J. H. Coburn, K.C., of Walkerville, said:

"I think the service is vastly in need of improvement. I think we should have a more frequent service than we have from Walkerville... very irregular and very unsatisfactory.....

"...it takes longer to get from Windsor to Walkerville than it did before and it takes longer to get back.....

"....I do not think we are getting service for the money we are paying and I think it is a matter that could be very readily righted by proper supervision."

RED TAPE.

A number complained of delay in getting things done owing to the distance from Toronto where the management is centered. Mr. Edward Blake Winter of Windsor said:

"I do not believe the local representative has authority.....

Mr. M. A. Brian, City Engineer of Windsor, said:

"I find that there is too much circumlocution in getting a thing done with the Hydro. I think it is due to a great extent to red tape..."

JOINT COMMITTEE SUGGESTED.

There is probably no transportation system that gives universal satisfaction, and the difficulties in operating the electric roads in question are doubtless increased through the rapid growth of population in certain sections. At the same time there is no doubt room for substantial improvement. Many of those who

appeared before us at the hearing at Windsor suggested that a Joint Transportation Committee be formed from all the municipal Councils interested in the railway, such Committee to hear complaints of those using the road and bring such complaints, questions of general policy, of administration and the views of the ratepayers generally on means and methods of increasing the efficiency and use of the railway and decreasing the cost of operation before the Commission. We hope that effect will be given to the suggestion and the beneficial owners of the undertaking brought into closer and more harmonious touch with the Commission, so long as that body administers the business and affairs of the two railways.

The municipalities and the public using the road should be kept fully informed of the financial condition of the undertaking and of all phases of operation. If the Commission were to publish weekly or monthly reports of operation and state therein what it is endeavoring to do to increase efficiency and avoid waste, it might secure a large measure of public co-operation.

The Commission labors under the disadvantage, and must always labor under the disadvantage, of being far away from the Border Cities. No absentee management and control can bring about the proper spirit of co-operation between the local managers, the employees and the public.

CONCLUSIONS AND RECOMMENDATIONS.

Our conclusions and recommendations on the facts brought before and considered by us are as follows:

1. The expenditures by the Commission for engineering, accounting and other expenses, prior to the agreement, and which have been capitalized and a portion of which is being written off each year, were made out of the general funds of the Commission without any appropriation therefor by the Legislature and without legal warrant or authority.

2. The acquisition by the Commission of the shares of the capital stock of Sandwich, Windsor and Amherstburg Railway and the agreement to purchase the assets and properties of that Railway and of the Windsor and Tecumseh Electric Railway, and all the negotiations and proceedings in connection therewith were during the period preceding June 4th, 1920, when the Hydro-Radial Act of that year was enacted, without legal warrant or authority and entirely ultra vires, there being until June 4th, 1920, no statutory power or authority in the Commission to acquire a railway or shares in a railway. Assuming obligations and adopting procedure without legal authority but in the expectation that legislation will be enacted confirming what has been done, should not be permitted. The question as to whether or not it is advisable for the Commission to construct, purchase or operate railways will be dealt with by us in a later report.

3. Section 6(b) of the Power Commission Act, relating to the establishment of a general fund of all moneys received by the Commission, and Section 12(a) of the same Act, relating to assessment and taxation, are

1. The expenditures by the Commission for engineering, accounting and other expenses, prior to the determination that work had been completed and a permit of which is being written out each year, were made out of the general funds of the Commission without any requisition therefor by the legislature and without legal warrant or authority.

2. The acquisition by the Commission of the state of the capital stock of Lancaster, Clarion and Reading Railway and the agreement to purchase the assets and properties of said Railway and of the Tribbey and Tuscarora Railway Company necessitations and proceedings in admiralty courts were during the period preceding June 4th, 1907, when the Pennsylvania Act of that year was enacted, without legal warrant or authority and initially also since, since the act until June 4th. 1907, no provision of power or authority in the Commission to acquire a railway or share in a railway. Expenditures obligations and acquisitions without legal authority but in the circumstances that individuals will be against [illegible] done, should not be permitted. The question as to whether or not it is advisable for the Commission to construct, purchase or operate railways will be dealt with by us in a later report.

3. Section 6(b) of the Power Commission act, relating to the establishment of a general fund of all moneys received by the Commission, and Section 12(a) of the same act, relating to assessment and [illegible], are

interpreted by the Commission as applicable to moneys and taxes of Hydro-Radial Railways. The contention of the Commission has been questioned by the Government Auditor of the accounts of the Commission, and we are advised that it is not well founded in law. Aside from the question of law there seems to us to be good reason for keeping the moneys of the Radial-Railway System entirely separate and distinct from the general funds of the Commission held by it under the Power Commission Act.

4. Sir Adam Beck stated to us that the price paid Detroit United Railway may have been excessive. The price paid, however, was the lowest the Vendors would accept and the municipalities interested agreed to pay the price. The road is now of undoubted excellence of construction. The increased efficiency of service, which should result from the large capital expenditure made for improvements, has not as yet been fully attained.

5. The Commission has issued bonds in respect of this undertaking to the extent of $3,000,000, divided into bonds for $2,100,000 running for forty years and bearing interest at 4½ per cent. and bonds for $900,000 also running for forty years and bearing interest at 6 per cent. Payment of all these bonds is guaranteed by the Province of Ontario.

6. The favorable prospect of a largely increased population in the localities leads us to the conclusion

interpreted by the Commission as applicable to months and years of Grace-Wallis relations. The Commission is not satisfied that such conditions of the Government utility at the majority of the Government, and on the ground that it is not well founded in law. Aside from the question of jurisdiction which it is in no good reason for holding the modes of the Judicial-Railway system entirely separate and distinct from the general judiciary of the Province and is under the Grace Commission.

4. Air Mail Lines. It is not for our view that Federal Capital Commission has been successful. The price paid, however, was the loss of the Government monopoly and its multimillion interests tending to the civil. The real is use of unnecessary commissions of administration. The increased efficiency of matters, since Commission matters, the large capital expenditure made. The Capital-Commission, has at the best Public interest.

5. The commission has should work in future of this understanding to the amount of $2,000,000, divided into loans for $1,000,000 remains, for forty years and bearing interest at 6% per cent. and bonds for $500,000 also running for forty years and material interest at 6 per cent. payment of all these bonds is guaranteed by the Province of Saskatchewan.

6. The interest payment of a Special Government population in the Dominions must be at the Government

that with efficient and economical administration the railways should pay their way. A reduction of Head Office administration expenses ($29,666.31 for the fiscal year ending October 31, 1921) should be made.

7. The establishment of a renewal fund by the Commission was proper and necessary. There are few public utilities that depreciate more and are affected by obsolescence to a greater extent than electric railway properties. The fund should have been maintained and not used to wipe out operating deficits. The action taken by the Commission was contrary to the principles of sound accounting and lessened the security that the Province had for the bonds that it gave.

8. The fares charged prior to the taking over of the system by the Commission were a cash fare of five cents or six tickets for twenty-five cents. The rates now are six tickets for thirty-five cents or twenty tickets for one dollar. The rates now charged are higher than those that the Commission led the residents of the districts served to expect in the event of the Commission taking the system over.

9. There is no sound reason why the two railways in question should be exempted from payment of the Provincial tax. If under the existing law they are entitled to this exemption, the law should be amended.

10. The amount of the insurance premium paid is large and the Commission might well secure expert advice on the subject of insurance with the view of ascertaining whether or not a substantial reduction of premiums might not be secured.

11. A committee representing all the municipalities directly interested in the railways, and which would be a medium for conveying to the Commission the views of the municipalities and ratepayers on all questions of operation and administration, might well be formed. Full information as to the financial condition of the undertaking and all phases of operation should be published regularly.

12. Reconstruction is now completed, and in our opinion a more complete degree of co-operation between the management and the public would be secured, and a service more satisfactory to the public would be given, if the railway were under local control.

DATED AT TORONTO, APRIL 13TH, 1923

(Signed) W. D. Gregory, Chairman

M. J. Haney

Lloyd Harris

J. A. Ross

R. A. Ross

17. The Bureau of the Government Printing Office is there are two considerations which most weigh against acceptance of the subject of insurance with the view of necessitating service at any a substantial reduction in wages and in hours.

18. A committee representing all the industrial directly interested in the railways, and which would be a medium for conveying to the Commission the views of the municipalities and ratepayers on all questions of operation and administration, might well be formed. Full information as to the financial condition of the undertaking and all phases of business should be published regularly.

19. Reorganization has been completed, and in our opinion a full complete degree of co-operation between the management and the public would be secured, and a service more satisfactory to the people would be given, if the suggestions herein contained were adopted.

DATED AT TORONTO, ACTS. 1908, 1909

(Signed) W. D. Gregory, Chairman

M. J. Haney

Lyle Lewis

A. J. Ross

R. A. Bonn